Before the Federal Communications Commission Washington, D.C. 20554

In re Applications of)	
PACIFIC WIRELESS TECHNOLOGIES, INC.)	WT Docket No. 01-192 File No. 0000523796
and)	The 100. 0000323770
NEXTEL OF CALIFORNIA, INC.)	
For Consent to Assignment of Licenses)	

MEMORANDUM OPINION AND ORDER

Adopted: November 16, 2001 Released: November 16, 2001

By the Deputy Chief, Wireless Telecommunications Bureau:

I. INTRODUCTION

1. In this Order, we grant the applications filed by Pacific Wireless Technologies, Inc. ("Pacific Wireless") and Nextel of California, Inc., a wholly-owned subsidiary of Nextel Communications, Inc. (collectively, "Nextel") for assignment of Pacific Wireless's 800 MHz Specialized Mobile Radio ("SMR") licenses and authorizations to Nextel. We deny the requests of some commenters to deny the applications or to impose conditions on the assignments in order to resolve interference issues that have arisen generally between commercial SMR licensees and public safety licensees. Those issues are being addressed elsewhere.

II. BACKGROUND

2. On July 27, 2001, pursuant to section 310(d) of the Communications Act of 1934, as amended ("the Communications Act"), Pacific Wireless and Nextel filed an application seeking Commission consent for Pacific Wireless to assign 188 800 MHz SMR licenses to Nextel. Nextel has a virtually nationwide licensed-area footprint and is the largest provider of mobile telephony services using SMR frequencies, with approximately eight million subscribers in the United States. Nextel offers a

¹ The "800 MHz" SMR band refers to spectrum allocated in the 806-824 and 851-869 MHz bands. *See* 47 C.F.R. §90.603; *see also* 47 C.F.R. § 90.7 (defining "specialized mobile radio system").

² 47 U.S.C. § 310(d).

³ Application of Pacific Wireless, Inc. and Nextel of California, Inc. for Assignments of Authorization, filed July 27, 2001, ULS File No. 0000523796 ("Application"). Some of Pacific Wireless's licenses are licensed to the Business or Industrial/Land Transportation service and are in the process of being converted to SMR service. In addition, since the filing of the Application, call sign KGQ445 has been deleted from the Application; therefore, this Order addresses only the remaining 187 licenses.

⁴ Application, Attachment 2, Public Interest Statement ("Public Interest Statement") at 5. *See also The State of the SMR Industry: Nextel and Dispatch Communications*, Strategis Report, Sept. 2000 ("Strategis Report, SMR"), at 5; *In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual*

variety of services over a digital, wide-area SMR network using 800 MHz SMR licenses, on a single handset. Nextel's digital offering is a bundled service that provides customers with interconnected mobile voice along with trunked dispatch service (marketed together under the brand name "Direct Connect®")⁵ that allows instant, real-time conferencing on a one-to-one or one-to-many basis. Customers may also subscribe to other optional services, including paging and wireless Internet access.⁶ In addition to its 800 MHz SMR licenses, Nextel holds licenses in the 220 MHz band, the 900 MHz SMR band, and Guard Band manager licenses in the 700 MHz band.⁷ Nextel also has an attributable interest in Nextel Partners, Inc., which provides digital wireless communications services on its own 800 MHz SMR frequencies in mid-sized and smaller markets throughout the United States.⁸

- 3. Pacific Wireless also uses SMR frequencies to offer a package of digital mobile services, that includes interconnected mobile voice and dispatch services, and its offerings are nearly identical to those of Nextel. Pacific Wireless began service in July 2000 and serves approximately 7,500 subscribers in the Central Valley of California. 10
- 4. On August 14, 2001, by delegated authority, ¹¹ the Wireless Telecommunications Bureau ("Bureau") issued a Public Notice to establish a pleading cycle to enable interested parties to comment on the proposed transaction. ¹² In response to this Public Notice, several local governments filed comments requesting that we deny or condition grant of the Application. ¹³ The governments complained generally

Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, 15 FCC Rcd 17,660 (rel. Aug. 18, 2000) ("Fifth CMRS Competition Report"), at 70.

⁵ Direct Connect[®] provides trunked dispatch customers with an expanded dispatch service area, higher voice quality and extra security than analog trunked dispatch. Public Interest Statement at 5, n. 12. Upon request, the Direct Connect[®] service may be purchased separately from interconnected voice.

⁶ See Public Interest Statement at 5.

⁷ In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993 Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, 14 FCC Rcd 10,145, 10,176 ¶ 32 (citing Nextel Reports 1998 Results, News Release, Nextel Communications, Inc., Feb. 23, 1999).

⁸ See Strategis Report, SMR at 47; see also 47 C.F.R. § 20.6(d)(2).

⁹ Public Interest Statement at 2, 4.

¹⁰ *Id.* at 4.

¹¹ 47 C.F.R. § 0.331.

¹² See Pacific Wireless Technologies, Inc. and Nextel Communications, Inc. Seek Consent to Assign 800 MHz Licenses, *Public Notice*, DA 01-1931 (rel. Aug. 14, 2001).

¹³ See Letter of Gregory A. Wenz, Operations Director, County of Hamilton, Ohio (Aug. 30, 2001) ("Hamilton, Ohio Letter"); Letter of the Government of the District of Columbia (Sept. 13, 2001) ("Washington, D.C. Letter"); Comments of Nextel Communities (Cities of Philadelphia, Pennsylvania; Phoenix, Arizona; and Scottsdale, Arizona; and Queen Anne's County, Maryland) (Sept. 23, 2001); Comments of Queen Anne's County, Maryland (Sept. 15, 2001) ("Comments of Queen Anne's County"). Prince George's County, Maryland also filed a letter seeking to be kept informed of the proceedings. Letter of Prince George's County, Maryland (Sept. 10, 2001). These parties filed their comments and letters also with respect to the applications of Chadmoore Wireless Group, Inc. and Nextel Communications, Inc. for consent to assign 800 MHz and 900 MHz licenses to Nextel Communications, Inc. See WT Docket No. 01-193, ULS File Nos. 0000512734, et al. In this Order, we address these comments and letters with respect only to the pending application of Pacific Wireless and Nextel.

of interference between their public safety operations and those of commercial SMR licensees, including but not limited to Nextel.

III. DISCUSSION

5. As explained below, we find that the assignment of these licenses to Nextel does not pose an undue risk of harm to competition in U.S. telecommunications markets nor an undue risk of harm to the public safety. In addition, we find that these assignments should result in public benefits. Accordingly, we conclude that, pursuant to section 310(d) of the Communications Act, ¹⁴ grant of the pending requests for assignment of the licenses to Nextel would serve the public interest. We therefore grant the Application. ¹⁵

A. Statutory Authority

6. Pursuant to Section 310(d) of the Communications Act, the Commission must determine whether the proposed assignment will serve the public interest, convenience, and necessity. Section 310(d) further requires that we consider the application as if the proposed assignee were applying for the licenses directly under section 308. Thus, our review includes Nextel's qualifications to hold licenses. In discharging these statutory responsibilities, we weigh the potential public interest harms of the proposed transaction against the potential public interest benefits to ensure that, on balance, the assignment serves the public interest and convenience.

B. Qualifications

- 7. In evaluating assignment and transfer applications under section 310(d) of the Communications Act, we generally do not re-evaluate the qualifications of the assignor or transferor unless issues related to their basic qualifications have been designated for hearing by the Commission or have been sufficiently raised in petitions to warrant the designation of a hearing. ¹⁹ In this case, no one has challenged the basic qualifications of Pacific Wireless, and we find no independent reason to review Pacific Wireless's qualifications in the context of this proceeding.
- 8. By contrast, as a regular part of our analysis, we determine whether the proposed assignee is qualified to hold a Commission license. Because no one has challenged the basic qualifications of

¹⁵ Our approval of this transaction is consistent with the position of the U.S. Department of Justice, which has not challenged Nextel's proposed acquisition of the licenses at issue. *See* Letter to Magalie Roman Salas, Secretary, FCC, from Russell H. Fox, Counsel for Pacific Wireless (Oct. 10, 2001).

¹⁷ Section 310 provides that the Commission shall consider any such applications "as if the proposed transferee or assignee were making application under Section 308 for the permit or license in question." 47 U.S.C. § 310(d). Furthermore, the Commission is expressly barred from considering "whether the public interest, convenience, and necessity might be served by the transfer, assignment, or disposal of the permit or license to a person other than the proposed transferee or assignee." *Id.*

¹⁴ 47 U.S.C. § 310(d).

¹⁶ 47 U.S.C. § 310(d).

 $^{^{18}}$ See In re Applications of Motorola, Inc., 2001 WL 388253 (WTB rel. Apr. 17, 2001) ("Motorola Order") at \P 6 note 21 (and additional citations therein).

 $^{^{19}}$ *Id.* at ¶ 7, note 23 (and additional citations therein).

²⁰ See In re Applications of Various Subsidiaries and Affiliates of Geotek Communications, Inc. and FCI 900, Inc., Memorandum Opinion and Order, 15 FCC Rcd 790 (WTB rel. Jan. 14, 2000) at ¶ 10 ("Geotek Order") (citing In re

Nextel, and because we have determined in prior proceedings that Nextel is qualified to hold Commission licenses, ²¹ we find no reason to conclude otherwise here.

C. Public Interest Analysis

1. Competitive Issues

- 9. Where an assignment of licenses involves telecommunications service providers, our public interest determination must be guided primarily by the Communications Act. Our analysis of competitive effects under the Commission's public interest standard consists of three steps. First, we determine the markets potentially affected by the proposed transaction. Second, we assess the effects that the transaction may have on competition in these markets. It Third, we consider whether the proposed transaction will result in transaction-specific public interest benefits. Ultimately, we must weigh any harmful and beneficial effects to determine whether, on balance, the transaction is likely to enhance competition in the relevant markets.
- 10. Nextel states that it will use Pacific Wireless's licenses, which are already being used to provide digital mobile services, to increase its capacity and support and improve its offerings. Nextel notes that the package of services both it and Pacific Wireless offer "straddle the mobile telephony and dispatch sectors." Consistent with our prior decisions, we will examine the competitive effects of this transaction with respect to two product markets: trunked dispatch and interconnected mobile voice. However, we recognize that these product markets do not foreclose the possibility that we may adopt an expanded market definition in a future transaction, we need not do so here because we approve these

applications of AirTouch Communications, Inc. and Vodafone Group, Plc, Memorandum Opinion and Order, DA 99-1200, 1999 WL 413,237 (WTB rel. June 22, 1999) at ¶¶ 5-9). See also Motorola Order at ¶ 8.

²¹ See, e.g., Motorola Order at ¶ 8; Geotek Order at ¶ 21.

²² We note that the 1996 amendments to the Communications Act were specifically intended to produce competitive telecommunications markets. *AT&T Corporation, et al., v. Iowa Utils. Bd.,* 525 US 366, 371 (1999).

²³ Our determination of the affected markets requires us to identify the Applicants' existing and potential product offerings, and may require us to determine which products offered by other firms compete or potentially compete with these offerings.

²⁴ Depending on circumstances, this step may include the identification of market participants and analysis of market structure, market concentration, and potential entry.

²⁵ These include but may extend beyond factors relating to cost reductions, productivity enhancements, or improved incentives for innovation. *See, e.g., Applications of Aerial Communications, Inc. and VoiceStream Wireless Holding Corporation for Transfer of Control*, Memorandum Opinion and Order, 15 FCC Rcd 10,089, ¶ 30, n. 82 (WTB/IB 2000) (and cases cited therein); *Applications of Vodafone AirTouch Plc and Bell Atlantic Corporation*, 2000 WL 332670, ¶ 25, n. 49 (WTB/IB 2000) (and cases cited therein). *See also* Horizontal Merger Guidelines Issued by the U.S. Department of Justice and the Federal Trade Commission, 57 Fed. Reg. 41,552, §§ 2.1, 2.2, 4 (dated Apr. 2, 1992, as revised, Apr. 8, 1997).

²⁶ Public Interest Statement at 2-3.

²⁷ Id. at 5, quoting In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, FCC 01-192 (rel. July 17, 2001) ("Sixth CMRS Competition Report") at 4.

 $^{^{28}}$ See, e.g., In re Application of AWI Spectrum Co., LLC, 16 FCC Rcd 10945, 10950 \P 11 (WTB 2001) ("AWI Spectrum Order"); Motorola Order at 11-2.

applications even under an analysis of these narrower markets.

- 11. Pacific Wireless provides trunked dispatch and interconnected mobile voice services in the Central Valley of California. Nextel also provides these services in the Central Valley of California. As we have said in the past, geographic markets aggregate consumers that face similar choices regarding vendors of a particular product or service. We have generally treated as predominantly local in nature the markets for the mobile wireless services at issue here. Therefore, the relevant geographic market for the analysis of this application are the local markets within the Central Valley of California. However, for purposes of analysis, we typically aggregate individual, local markets where they are similar, rather than examining each separately. We follow this practice here and treat all local geographic areas in the Central Valley of California together.
- 12. In analyzing this transaction with respects to its effects on the trunked dispatch market, we adopt the analysis we used in the recent *Motorola Order*.³⁴ Pacific Wireless and Nextel both offer a trunked dispatch service in various local markets in the Central Valley of California and the assignment of these licenses to Nextel will result in the loss of a competing trunked dispatch service provider. However, Nextel is unlikely to be able to exercise market power in these markets for several reasons: (1) there is competition provided by other firms offering trunked dispatch services in those locations;³⁵ (2) we expect near-term and long-term competitive entry into the trunked dispatch market;³⁶ and (3) for some consumers, traditional dispatch, private dispatch or data dispatch are viable alternatives to trunked dispatch, providing additional constraint on Nextel.³⁷ Accordingly, we conclude that approval of these applications would not result in undue competitive harm in markets for trunked dispatch services.
- 13. We define the interconnected mobile voice product market as consisting of all commercially available two-way, mobile voice services, providing access to the public switched telephone network via terrestrial systems. These services are currently provided by cellular, broadband personal communications services ("PCS"), and interconnected, trunked SMR providers. Pacific Wireless and

²⁹ Pacific Wireless' coverage area in the Central Valley of California ranges from Bakersfield, California in the south, to Redding, California in the north and from the Pacific Ocean on the west into the Sierra Nevada mountains on the east. *See* Public Interest Statement at 4.

³⁰ *Id.* at Exhibit 2.

³¹ Pittencrieff Communications, Inc., Transferor, and Nextel Communications, Inc. Transferee, For Consent to Transfer Control of Pittencrieff Communications, Inc. and its Subsidiaries, Memorandum Opinion and Order, 13 FCC Rcd 8935, ¶ 37 (WTB 1997).

³² *Id*; see also Motorola Order at ¶ 25; Geotek Order at ¶ 27, n. 64.

³³ *Motorola Order* at \P 25.

 $^{^{34}}$ See id. at ¶¶ 11-24.

³⁵ Application at Exhibits 1 and 2 (listing the markets in the Central Valley of California in which Pacific Wireless currently holds 800 MHz licenses and all CMRS carriers within these markets).

³⁶ See AWI Spectrum Order at ¶ 14; Motorola Order at ¶¶ 18-20, 22, 31; Geotek Order at ¶¶ 31, 35-41.

³⁷ See Motorola Order at ¶ 32.

³⁸ See Geotek Order at ¶30.

³⁹ *Id.*; *Sixth CMRS Competition Report* at 9.

Nextel provide interconnected mobile voice service in the Central Valley of California. Therefore, in these locations the assignment of these licenses to Nextel will result in the loss of a competing interconnected mobile voice provider. However, the mobile telephony market is generally competitive, and there are both cellular and PCS licensees in the markets in which Pacific Wireless offers service. We therefore conclude that Nextel's acquisition of Pacific Wireless's licenses will not adversely affect competition in the interconnected mobile voice markets.

2. Public Safety Issues

- 14. The SMR frequencies in the 800 MHz band used by Pacific Wireless, Nextel and other CMRS providers are adjacent to, or "interleaved" with, frequencies assigned to public safety licensees. The recent expansion of the CMRS systems, particularly SMR systems and cellular networks, using digital technology and employing more intensive frequency reuse has apparently caused interference on the public safety channels. As a result, the Commission convened a working group of public safety licensees, wireless carriers, and equipment manufacturers to consider solutions. One product of that working group was "A Best Practices Guide," which was issued in December 2000. The Guide notes that older public safety systems, designed for less congested spectrum use, might not be able to reject the "robust" transmissions on the adjacent CMRS channels, and that some digital CMRS networks may be increasing the noise floor above that in which older public safety equipment was intended to operate. The Guide recommends several measures to mitigate the interference.
- 15. Several commenters believe, however, that the mitigation efforts suggested by the Guide result in sub-optimal use of either the commercial or the public safety systems, or both.⁴⁵ They contend that the better solution would be to segregate the public safety spectrum from the spectrum used for commercial purposes.⁴⁶ Nextel Communities notes that Nextel is working on such a frequency reallocation proposal.⁴⁷ Some Commenters therefore ask that we condition the grant of the application on Nextel's filing a reallocation plan by a prompt and certain date,⁴⁸ while others ask that we reject Applicants' application until the problem is solved.⁴⁹
 - 16. The Applicants respond that the commenters lack standing.⁵⁰ They note that none of the

⁴⁰ See supra ¶ 11.

⁴¹ See Sixth CMRS Competition Report at 5.

⁴² See Public Interest Statement, Exhibit 1.

⁴³ See Comments of Nextel Communities at 3; Avoiding Interference Between Public Safety Wireless Communications Systems and Communications Systems at 800 MHz, A Best Practices Guide (Dec. 2000) (available at http://www.apco911.org/afc/documents/BPG.pdf) at 3.

⁴⁴ *Id*.

⁴⁵ See Comments of Nextel Communities at 3; Comments of Queen Anne's County at 3; see also Best Practices Guide at 13

⁴⁶ See Comments of Nextel Communities at 3; Comments of Queen Anne's County at 3.

⁴⁷ Comments of Nextel Communities at 6.

⁴⁸ See Comments of Nextel Communities at 6; Comments of Queen Anne's County at 6.

⁴⁹ See Washington D.C. Letter at 3: Hamilton, Ohio Letter at 1.

⁵⁰ Consolidated Opposition of Nextel Communications, Inc., filed Sept. 27, 2001 ("Nextel Opposition") at 3; Consolidated Opposition to Petitions to Deny, filed by Pacific Wireless on Sept. 27, 2001 ("Pacific Wireless

commenters are located in areas where Pacific Wireless has licenses, that they therefore will not be affected by the transaction, and that, accordingly, they are not parties in interest.⁵¹ Nextel Communities denies that it needs standing to ask the Commission to condition the grant of the application in the public interest.⁵² We agree that the commenters have not shown how they would be harmed by grant of the application or how denying the application would provide relief with respect to these public safety issues, and that they therefore lack standing. Accordingly, we decline to deny or condition the application as they request.

17. We further deny the commenters' request because it is not related to the transaction before us. We do not impose remedies where the harms have not been shown to be merger-specific.⁵³ Here, the commenters have not shown how granting the application would increase the likelihood or magnitude of the harms of which the commenters complain. Pacific Wireless already uses the frequencies at issue for CMRS service, and after the transaction, Nextel will simply continue that use. Moreover, Pacific Wireless states that it has had no complaints of harmful interference to public safety or other entities, ⁵⁴ a claim which the commenters do not rebut. The commenters have, therefore, failed to show any harms that might arise from this transaction. Rather, the commenters are attempting to use our review of the transaction to solve a problem that not only is unrelated to the transaction before us but, as they admit, is not specific to Pacific Wireless or Nextel.⁵⁵ While the issues raised by the commenters are very important, we decline to use this proceeding to force Nextel to file what is in essence a petition for rulemaking on behalf of the CMRS and public safety communities, or to deny the Application until that rulemaking is completed.

3. Public Interest Benefits

18. Applicants contend that by integrating Pacific Wireless's spectrum into Nextel's nationwide network, the proposed transaction will put the spectrum to more efficient use by achieving additional economies of scope and scale.⁵⁶ They contend the transaction will allow Nextel to better compete in the CMRS marketplace, and will provide Pacific Wireless's subscribers with data capabilities they currently lack.⁵⁷ They also contend that the additional frequencies will allow Nextel to react in a more flexible manner if its operation did affect public safety licensees. We agree with Applicants that the more efficient use of spectrum, the additional services that will be provided to Pacific Wireless's current customers, Nextel's increased ability to compete in the CMRS marketplace, and its increased ability to resolve interference issues with the public safety channels all constitute transaction-specific public

Opposition") at 2-3. We grant the applicants' individual requests for additional time to file their oppositions in this proceeding. Because the comments were filed in both this proceeding and in WT Docket No. 01-193, the applicants requested an additional three days to file these oppositions, which would align the pleading cycles of this docket and WT Docket No. 01-193 and eliminate duplicative filings.

⁵¹ Nextel Opposition at 3; Pacific Wireless Opposition at 2-3.

⁵² Reply Comments of Nextel Communities at 1-2.

⁵³ In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations by Time Warner Inc. and America Online, Inc., Transferors, to AOL Time Warner Inc., Transferee, 16 FCC Rcd 6547, 6550 ¶ 6 (2001).

⁵⁴ Pacific Wireless Opposition at 4.

⁵⁵ See Comments of the District of Columbia at 1 n.1 ("all of the matters raised in this letter are applicable to any carrier transmitting in the current interleaved frequency assignment environment.").

⁵⁶ Public Interest Statement at 6.

⁵⁷ *Id.* at 6, 15.

interest benefits.

D. CONCLUSION

19. We find that the proposed transaction is not likely to cause competitive harm in interconnected mobile voice or trunked dispatch markets, and that it is likely to produce public interest benefits. Therefore, on balance, we find that the proposed transaction is in the public interest. We also decline to condition this grant on a requirement that Nextel file a plan for frequency reallocation.

E. ORDERING CLAUSES

- 20. ACCORDINGLY, IT IS ORDERED, pursuant to sections 4(i) and (j), 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 309, and 310(d), and Section 0.331 of the Commission's rules, 47 C.F.R. § 0.331, that the requests of Gregory A. Wenz, the Government of the District of Columbia, the Nextel Communities, and Queen Anne's County, Maryland, that we deny or condition this application ARE DENIED.
- 21. IT IS FURTHER ORDERED, pursuant to sections 4(i) and (j), 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 309, 310(d), that the Application filed by Pacific Wireless Technologies, Inc, to assign its licenses to Nextel of California, Inc., IS GRANTED.
- 22. This action is taken on delegated authority under section 0.331 of the Commission's rules, 47 C.F.R. § 0.331.

FEDERAL COMMUNICATIONS COMMISSION

James D. Schlichting Deputy Chief, Wireless Telecommunications Bureau